

Message Text

CONFIDENTIAL

PAGE 01 JIDDA 00962 091609Z

53

ACTION NEA-10

INFO OCT-01 ISO-00 OES-03 ERDA-05 NSF-01 IO-11 AID-05

NEAE-00 SSO-00 NSCE-00 NSC-05 L-03 CIAE-00 INR-07

NSAE-00 INRE-00 ERDE-00 /051 W

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FM AMEMBASSY JIDDA

TI RUEHC/SECSTATE WASHDC IMMEDIATE 3642

INFO US DEPT OF TREASURY WASHDC

US DEPT OF INTERIOR WASHDC

C O N F I D E N T I A L JIDDA 0962

TREASURY FOR OSAA

E.O. 11652: GDS

TAGS: USSAEC, SA

SUBJECT: ORANGE COUNTY WATER DISTRICT (OCWD) VTE/MSF PROCESS DESAL-
INATION PLANT

REF JIDDA 0960

1. MR. PHILLIP J. STEVENS, PRESIDENT, ULTRANSYSTEMS, INC.,
IRVINE, CALIFORNIA, AND RICHARD COTTRELL, ASSISTANT TO THE
PRESIDENT, VISITED EMBASSY TO PRESENT THEIR PLANS FOR THE
ORANGE COUNTY WATER DISTRICT VTE/MSF DESAL PLANT AS ENVISIONED
IN THE PROJECT AGREEMENT ON DESALINATION (COMMENTED ON IN
REFTEL). EMBASSY PASSES ON STEVENS' VIEWS FOR INFORMATION OF
ADDRESSEES. STEVENS AND COTTRELL PLAN TO CALL ON ASSISTANT
SECRETARY PARSKY TO DESCRIBE THEIR PLANS IN PERSON.

2. MESSRS. STEVENS AND COTTRELL PROCEEDED TO OUTLINE THEIR
INTEREST IN THE BERTICAL TUBE EVAPORATION/MULTI STAGE FLASH
(VTE/MSF) PROCESS DESALTING PLANT LOCATED IN ORANGE COUNTY,
CALIFORNIA. THE PLANT WOULD LOSE ITS FUNDING FROM THE FEDERAL
GOVERNMENT AT THE END OF THIS FISCAL YEAR, AND
ORANGE COUNTY, A MINORITY PARTNER, IS LOOKING ANXIOUSLY FOR
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PAGE 02 JIDDA 00962 091609Z

A BUYER.

3. THE "PROPOSAL FOR A TECHNOLOGY DEVELOPMENT PROGRAM: 100 MILLION GPD SINGLE TRAIN DESALTING PLANTS" PRESENTED BY THE OFFICE OF WATER RESEARCH AND TECHNOLOGY, U.S. DEPARTMENT OF THE INTERIOR, JANUARY 1976, AND INCLUDED AS APPENDIX B TO THE DESALINATION PROJECT AGREEMENT BETWEEN THE U.S. AND SAUDI ARABIA, HAS THE FOLLOWING IN MIND FOR THE VTE/MSF PROCESS PLANT:

A. "NEGOTIATE AN AGREEMENT WITH THE ORANGE COUNTY WATER DISTRICT FOR OPERATION OF THE VTE/MSF MODULE AT FOUNTAIN VALLEY, CALIFORNIA.

B. EVALUATE PROGRESS ON THE CURRENT DEVELOPMENT TEST PROGRAM AND DETAIL THE PROGRAM REQUIRED FOR FULL EVALUATION OF THE VTE/MSF MODULE.

C. CONTRACT FOR OPERATION AND MAINTENANCE SERVICES REQUIRED TO COMPLETE THE TEST PROGRAM.

D. PROVIDE FOR THE PREPARATION OF INTERIM TEST REPORTS.

E. PROVIDE FACILITIES FOR INDOCTRINATION AND/OR TRAINING OF SWCC PERSONNEL ON THE VTE/MSF PROCESS AT THE FOUNTAIN VALLEY TEST FACILITY."

4. MESSRS. STEVENS AND COTTRELL ARE CONVINCED THAT CONDUCTING A RESEARCH PROGRAM IN THE U.S. AT A U.S.-OWNED FACILITY USING SAUDI MONEY IS UN-ACCEPTABLE TO THE SAUDI GOVERNMENT. THEY HAVE REACHED THIS CONCLUSION AFTER DISCUSSIONS WITH A NUMBER OF SAUDIS WHO AGREE THAT THIS PROPOSAL WILL NOT BE APPROVED BY THE SAUDIS. IN ADDITION, THERE IS NO GUARANTEE THAT THE ORANGE COUNTY WATER DISTRICT WILL APPROVE THIS PROGRAM SINCE IT WOULD NOT TERMINATE ORANGE COUNTY FINANCIAL RESPONSIBILITY FOR THE PLANT. OCWD WOULD PREFER OUTRIGHT SALE TO ANY OTHER ALTERNATIVE.

5. STEVENS AND COTTRELL OUTLINED THEIR PROPOSAL: 1) TRANSFER OWNERSHIP OF DESALTING PLANT TO ORANGE COUNTY
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PAGE 03 JIDDA 00962 091609Z

WATER DISTRICT; 2) DISCUSSIONS ARE CURRENTLY UNDERWAY BETWEEN OCWD AND ULTRA SYSTEMS FOR DISMANTLING AND SHIPPING TO SAUDI ARABIA FOR RESALE TO THE SAUDI GOVERNMENT AS PART OF THE R&D JOINT U.S.-SAUDI AGREEMENT; 3) ONCE HERE, ULTRA SYSTEMS WOULD OFFER ITS SERVICES IN EXPANDING OPERATIONS TO FULL CAPACITY OF 17 MILLION GALLONS A DAY.

6. COTTRELL SAID THE FACILITY CAN BE DISMANTLED IN 90 DAYS

AND REASSEMBLED IN 120 DAYS. HE ADDED THAT HE HAS ALREADY DISCUSSED HIS PROPOSAL WITH U.S. DEPARTMENT OF THE INTERIOR AND THERE WAS NO DISAGREEMENT WITH HIS CONCLUSIONS.

7. MR. COTTRELL ADDED THAT ALL ULTRA SYSTEMS AND ORANGE COUNTY NEED IS THE GO-AHEAD FROM THE TREASURY DEPARTMENT. COTTRELL SAID HE AND STEVENS WOULD BE IN WASHINGTON ON TUESDAY, FEBRUARY 10 AND HAD DABLED THEIR HOME OFFICE IN IRVINE, CALIFORNIA TO ARRANGE A MEETING WITH ASSISTANT TREASURY SECRETARY PARSKY.
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Margaret P. Grafeld
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